

**Minutes of the Audit Committee Meeting held in the Innovation Centre (Southport College)**  
**Monday 22<sup>nd</sup> May 2023 at 4pm**

- Present:** Mo Kundi (Committee Chair) (Independent Member)  
 Laura Bell (Independent Member and Corporation Vice Chair)  
 Diane Hutchinson (Independent Member and Committee Vice Chair)  
 Carla Kennaugh (Associate Member)
- In Attendance:** Paris Bonwick (AP MIS and Apprenticeships)  
 Claire Dalrymple (Wylie and Bisset) (via Video Conferencing Facilities)  
 (up to and including item 14)  
 Lisa Farnhill (Clerk)  
 Peter Harrison (TIAA) (up to and including Item 14)  
 Michelle Brabner (Principal)  
 Kevin Williams (VP Finance and Funding)  
 Andrew Winrow (Head of Finance)
- Apologies:** Jane Butterfield (TIAA)
- Absent:** **None**

Minute No.	Minutes	Action
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**A.23.62 ITEM 1: APOLOGIES FOR ABSENCE**

The Chair opened the meeting by thanking everyone for their time and attendance. Members accepted the apologies from Jane Butterfield, thanking Peter for attending on behalf of TIAA. It was confirmed there had been no apologies for absence from members, therefore the meeting was quorate.

**Item 1 – Noted**

**A.23.63 ITEM 2: DECLARATIONS OF INTEREST**

The Clerk declared an interest in relation to her role as the Data Protection Officer.

Members noted that the auditors would leave ahead of items relating to auditor performance.

**Item 2 - Noted:** The Committee noted the declarations.

**A.23.64 ITEM 3: APPROVAL OF THE MINUTES OF THE AUDIT COMMITTEE HELD BY VIDEO CONFERENCE ON 28<sup>TH</sup> FEBRUARY 2023**

Members reviewed the minutes as circulated and agreed that they were an accurate reflection of the meeting held on 28<sup>th</sup> February 2023. The minutes were approved.

**Item 3: Approved:** The Committee resolved to approve the minutes of the Audit Committee meeting held on 28<sup>th</sup> February 2023.

#### **A.23.65 ITEM 4: MATTERS ARISING / ACTIONS SUMMARY**

The Clerk summarised the report outlining progress in relation to fraud awareness and cyber security, with it agreed cyber security awareness and oversight was of key importance in the current climate.

The HR link governor was thanked for the detailed assurances following her visit to the department at the request of the Committee in February.

**Item 4 - Noted:** The Committee noted the update.

#### **A.23.66 ITEM 5: CONFIDENTIAL ITEMS**

The Committee agreed the sections highlighted should be redacted, and confirmed the auditors should withdraw for item 15. The Committee suggested the content of item 15 may need to be redacted, depending on the detail of discussion, with it agreed this would be reviewed at the next meeting.

**Item 5 – Approved:** The Committee resolved to approve the minutes for publication subject to the redactions as highlighted in the circulated draft. Members agreed discussion relating to auditor performance should take place without the presence of the auditors.

#### **ITEM 6: INTERNAL AUDIT REPORTS**

The Chair introduced TIAA, again thanking Peter for stepping in to provide TIAA's perspective on the reviews.

#### **A.23.67 Item 6.1: Internal Audit Report - Cyber Security**

An overview of the review, resulting in limited assurance was provided, with members expressing concern over the outcome. In response to questions about the level of assurance, members were advised it is not the lowest available grade, however, reflected issues observed that needed addressing as a priority.

Members asked if the level of assurance in part reflected the general increase in incidences and targeted attacks on the sector or were specifically due to issues relating to the college. Members noted that this was an ever evolving, threat, and whilst acknowledging that the sector had seen an increase in attacks, there was no specific benchmarking for cyber-security, being advised the review had looked at controls and mitigations and identified areas to be addressed.

Members reflected on the points raised under item 4, 'Actions', highlighting the importance of training and awareness to ensure the content of policies is embedded into the culture of the organisation. When challenging the timeframe for implementing the recommendations, the Vice Principal Finance and Facilities confirmed there would be immediate action, with training, phishing exercises, and policy reviews, however,

resolving the technical aspects required specialist support. Members were advised previous rollouts of the security updates had restricted access to essential systems and services. Members asked if funding was prohibiting progress, and were assured, that as with safeguarding and health and safety, financial resources would not be considered a barrier to resolutions, however, they needed to ensure that the improvements did not create operational issues at key times, including exams.

Members questioned the impact of attacks, asking for a summary of the risks, with the Vice Principal Finance and Facilities confirming that in addition to financial and reputational damage as a result of data loss or restricted access to systems as a result of a cyber-attack, the human impact, on students, at key times, including exams, and staff, unable to complete their work, was unmeasurable.

In concluding, members asked if the risk was accurately reflected within the risk register, with assurances given over the rating and mitigations in place, with it confirmed that at the review meeting, cyber-security was maintained as one of the highest risks for the register for 2023/2024, to be presented to the Committee in June.

**Item 6.1 - Resolved: The Committee resolved to accept the update.**

**A.23.68 Item 6.2: Internal Audit Report - Learner Records**

Members were given a summary of the review, which resulted in substantial assurance and no recommendations. The College was commended for the processes and supporting evidence, an area often overlooked by colleges.

Members passed on their gratitude to the AP MIS and Apprenticeships and his team.

**Item 6.2 - Resolved: The Committee resolved to not the assurances provided, asking for the review to be presented to eth Resources Committee for information.**

**A.23.69 Item 6.3: Internal Audit Report - Apprenticeship Delivery Model**

Members noted verbal feedback had been provided in the last meeting, however the report had not been available. This was now circulated for the information of members and would be presented to the Standards Committee for information.

Members were provided with a summary of the recommendation and findings from the review, noting it resulted in reasonable assurance. Members discussed the size of the college's apprenticeship provision and asked for details of resolutions around staffing issues. Members noted the outcome of a successful recruitment campaign, with one appointment and a further round of interviews taking place in the following week.

Members discussed the progress relating to OneFile and employer communications, noting that the duration of some apprenticeships meant there remained overlap with the older systems.

**Item 6.3 - Resolved: The Committee resolved to accept the update, asking for the report to be presented to the Standards Committee for information.**

**A.23.70 Item 6.4: Internal Audit Report – Student Voice**

The Committee received an overview of the recommendations, with the Principal confirming they had been reviewed and accepted, with the review resulting in reasonable assurance.

**Item 6.4 - Resolved: The Committee resolved to accept the update, asking for the report to be presented to the Standards Committee for information.**

**A.23.71 Item 6.5: Internal Audit Report – Performance Management**

TIAA summarised the review and subsequent recommendations. The Committee noted it provided reasonable assurance.

The VP Finance and Facilities confirmed the recommendations had been accepted, with progress already made in relation to the KPI scorecard, with further developments to include maintaining copies of historic information for reflection and trend analysis.

**Item 6.5 - Resolved: The Committee resolved to accept the update, asking for the report to be presented to the Standards Committee for information.**

**A.23.72 Item 6.6: Internal Audit Report – Credit Cards**

The VP Finance and Facilities reminded the Committee this had been an additional review at the request of the senior team following concerns over the potential risks around credit card use, relating to bypassing procurement or approval processes and risks in relation to overspend.

Members challenged TIAA's satisfaction over the outcome of the testing, questioning how the sample was selected, highlighting three of the ten had exceeded transaction or approval limits, asking if this was perhaps disproportionate due to the sample focusing on higher value transactions.

The Head of Finance explained different card holders had different limits and there was a process allowing a temporary increase to transactions limits to be approved by the Vice Principal Finance and Facilities, however, could not confirm if that had been sought for the transactions sampled. Members were assured that the high value transaction of £5,000 had been logged as a requisition and a purchase order had been raised, however, the company required paying in advance, with the credit card offering increased purchase protection.

Members expressed concern over the ability to bypass purchasing policies and procedures through the use of the cards, confirming only a limited number were in circulation, supporting the recommendation to increase awareness through further

training.

Members asked if the review addressed the concerns and provided the relevant assurance sought by the SLT when requesting the review. The VP Finance and Facilities summarised his concerns, particularly around the high volume of transactions in August and concerns over how and why the cards were being used. He confirmed the key strategic findings supported his concerns; however, the recommendations were not in alignment with what was expected. He proposed the cards provided efficiency and streamlined processes in limited circumstances, however, the risks needed to be balanced.

Members asked if the increased spend in a single month was due to budget holders using the remainder of the budget at the end of the financial year, and were advised it had been at the start of the year and more likely to have been as a result of poor planning.

Members discussed risks relating to an incident within the charity sector of a business card holder being able to view their business card within their personal account due to the way the online banking linked the profiles, which had subsequently allowed them to transfer cash from the card to their personal account. Members were assured that the account offered maximum flexibility and the ability to restrict categories of payment, including cash payments, and internal processes for reviewing transactions minimised this risk.

**Item 6.6 - Resolved: The Committee resolved to accept the update and monitor the implementation of the recommendations, asking that the report is presented to the Resources Committee for information.**

#### **A.23.73 ITEM 7: IMPLEMENTATION OF AUDIT RECOMMENDATIONS**

In summarising the report, the Head of Finance confirmed the recommendations from the reviews presented at this meeting were not yet incorporated.

Progress against recommendations not yet met was summarised, with governors satisfied with the progress relating to apprenticeships and GDPR.

The fire risks relating to the volume of archived paper were highlighted, noting the delay had been caused by the way in which information had been stored in plastic wallets, making removal time consuming.

Members were assured action was being taken to ensure recommendations not yet due were being worked towards, noting the marketing budget review was currently underway as part of the 2023/2024 budget setting process.

When reviewing the completed recommendations, members noted assurances over the embedding of the ILR process and asked for the student receiving the national apprenticeship award to be congratulated on their behalf.

**Item 7 – Resolved: The Committee resolved to accept the assurances provided by the report.**

**A.23.74 ITEM 8: INTERNAL AUDIT PLAN FOR 2023/24**

TIAA highlighted the key emerging themes, for the sector, including those relating to cyber security, cost pressures and more specifically, climate related cost pressures, which were feeding into discussions around local and wider risks and reflected in the strategy. Members noted the 3-year plan was indicative, with inbuilt flexibility, annual reviews and the opportunity for in-year amendments should the need arise based on emerging risks.

Members acknowledged the areas included were priority areas, and asked what issues and risks were not included but need to be given due consideration. Members were assured that the planning took into consideration the college's risk register, cyclical issues and was discussed with the SLT ahead of requesting the endorsement of the Governing Board. Members noted the decision to ensure reviews were more evenly spread in the coming year to reduce time pressures on the SLT and Audit Committee, with the Committee thanking all involved for ensuring the final reviews were available for the final meeting of the year.

In approving the plan, members were reminded that the document incorporated the internal audit charter, with members confirming their approval of the charter.

**A.23.75 ITEM 9: EXTERNAL AUDIT PLAN FOR 2022/23 FINANCIAL STATEMENTS**

Wylie and Bisset were thanked for their attendance, with it confirmed that the memorandum had been circulated. Members were advised this was in line with previous years and each section was summarised and key points drawn out.

Members were reminded of the substantive approach, with no reliance on internal controls or the reports of the IAS, however, these will be reviewed and used to direct the focus of the audit where necessary.

There were no changes to the perceived risks, with these outlined. Independence was assured and the main contacts were detailed with the Committee advised the timetable would be finalised once meeting dates for the Audit Committee and Corporation for 2023/24 are set.

A member asked if the updated ISA 315 regulations were applicable to the audit and how it would be captured. Members were advised the full plan had not yet been reviewed and agreed, with this to be considered along with other sector changes.

**Item 9 - Resolved: The Committee resolved to recommend the Corporation approve the plan for the auditing of the 2022/2023 financial statements.**

**A.23.76 ITEM 10: AUDIT ENGAGEMENT LETTER (EXTERNAL AUDIT)**

The VP. Finance and Facilities confirmed this was a continuation of the board approval to renew contract and was a standard contract in line with previous years.

Members endorsed the signing of the engagement letter.

***Item 10 - Approved:*** *Members approved the signing of the external audit engagement letter.*

#### **A.23.77 ITEM 11: RISK**

The VP Finance and Facilities confirmed the risk register for 2023/2024 had taken place that day and would be available for Committee review in June, with members clarifying this would be at an extraordinary meeting on June 20<sup>th</sup>, taking place by videoconference.

The in-year movements in the risk register were summarised, noting the number of high risks had started at 6, moved to 10 mid-year, and was now at 8, reflecting the college quality cycle.

The detail of the risks that had increased and reduced since the last meeting were discussed, with members considering at length the risks relating to quality and outcomes, including the link between staff costs as a percentage of income and quality. Members were informed the risk would remain high for the coming year, with members concluding this gave assurances of continued focus in this area.

Members thanked the Principal and senior team for the speed in which they initiated a supportive review of curriculum efficiency by the Further Education Commissioner's team, noting this would take place in July, with it hope their independent and objective expertise would support the college with identifying further efficiencies.

In concluding, members agreed the register accurately reflected recent performance related discussions and had not presented them with any surprises, thanking the SLT for their ongoing transparency.

***Item 11 - Noted:*** *The Committee resolved to note the update agreeing to hold an extraordinary meeting in June to review the 2023/2024 risk assurance framework.*

#### **A.23.78 ITEM 12: UPDATED ESFA GUIDANCE**

The Clerk explained the updates, highlighting how most were linked to the implications of the ONS to reclassify colleges as public sector bodies. The Committee was assured the requirements had been embedded into processes and policies as required, with the interim return submitted ahead of the April deadline.

***Item 12 - Noted:*** *The Committee resolved to note the guidance.*

#### **A.23.79 ITEM 13: MANAGING PUBLIC MONEY**

The VP Finance and Facilities confirmed this was linked to the information provided under item 12. In explaining that the DfE funding year end was 31<sup>st</sup> March, therefore assurances on public spending had been required, members noted that this in-year return had been a one off due to the in-year reclassification, with future assurances to

be provided as part of the standard funding audit.

Members noted the return, with the exception of two severance payments that were within the budgetary approval limits of the college, the submission had been a nil return.

***Item 13 - Noted:*** *The Committee resolved to note the information.*

**A.23.80 ITEM 14: AUDIT COMMITTEE PLANNING FOR 23/24**

The Clerk outlined discussions of the Resources Committee relating to the distribution of work, with members agreeing that compliance matters, including critical incident management and mitigations, health and safety and cyber security should sit within the remit of the audit committee.

Members agreed that a three-meeting cycle worked well, maintaining the option to have extraordinary meetings if necessary. Members suggested moving the start time to 3.30pm, and discussed ways to improve the paper circulation process, with particular focus on late papers. It was agreed to trial a return to uploading documents to MS Teams, with members agreeing to feedback on its viability as an alternative to emails or a bespoke portal. Members clarified that there were internal deadlines for paper production, noting data availability on occasion caused unavoidable delays, with this meeting having had a large number of audit reports awaiting final sign off.

**Clerk  
Committee**

***Item 14- Resolved:*** *The Committee approved the 2023/2024 workplan and resolved to recommend the updated Terms of Reference to the Corporation for approval.*

**Ahead of leaving before item 15, the representatives from the TIAA and Wylie and Bisset were thanked for their time.**

**All Auditors withdrew for item 15.**

**A.23.81 ITEM 15 – REVIEW OF THE PERFORMANCE OF THE INTERNAL AUDIT SERVICE (2022/23)**

**Redacted**

***Item 15 - Resolved:*** *Redacted.*

**A.23.82 ITEM 16: ITEMS TO BE REPORTED TO THE CORPORATION**

The Committee agreed to summarise the work of the committee through the circulation of the minutes.

The Committee agreed to circulate to the Corporation the following reports for approval:

- Internal Audit Plan for 23/24 for approval
- External Audit Plan 23/24 for approval (advising of the recommendation for the signing of the terms of engagement)
- Committee Terms of Reference for approval
- Referral of the IAS reports to the relevant Committees for information



It was agreed that the risk assessment framework and risk register, would be presented to the Corporation in July once Resources have reviewed and recommended the risk sensitivity analysis and the Committee has concluded their Extraordinary Meeting to review the Risk Assurance Framework.

It was clarified that the external audit fee did not need to be approved as this had been approved as part of the reappointment process approved in February, with the Clerk agreeing to cross reference the fee within the terms of engagement with that included in the tender report.

**Clerk**

***Item 16 - Resolved:*** *The Committee resolved to recommend the plan to the Corporation for approval.*

A.23.83

**Next Meeting of the Committee and Closing Comments**

The Committee members were advised that the next meeting date was the Extraordinary Meeting, to be conducting by videoconference on June 20<sup>th</sup> at 3pm. The first meeting of the next academic year would be confirmed as part of the Calendar approval by the Corporation in July.

The meeting closed at 5.30pm